



City of San Marcos

630 East Hopkins
San Marcos, TX 78666

Work Session - Final-Amended City Council

Tuesday, December 3, 2019

3:00 PM

City Council Chambers

630 E. Hopkins - Work Session

I. Call To Order

II. Roll Call

PRESENTATIONS

1. Receive a Staff presentation and hold discussion regarding the Hays Central Appraisal District's appraisal process, Tax Ceilings and Exemptions; and provide direction to the City Manager.

EXECUTIVE SESSION

2. Executive Session in accordance with the following Government Code Section(s):
 - A. Section § 551.071 - Consultation with Attorney: to receive a staff briefing and deliberate regarding Hays County Municipal Utility District No. 8. and to receive a staff briefing and deliberate regarding Martindale ETJ Matters.
 - B. Section § 551.087 - Economic Development: to receive a staff briefing and deliberate regarding Project Molly

III. Adjournment.

POSTED ON WEDNESDAY, NOVEMBER 20, 2019 @ 3:30PM

TAMMY K. COOK, TRMC, INTERIM CITY CLERK

IV. ADDENDUM

The following item was added after the agenda was posted on November 20, 2019:

Executive Session: Section § 551.071 - Consultation with Attorney: to receive a staff briefing and deliberate regarding Martindale ETJ Matters.

ADDENDUM POSTED ON THURSDAY, NOVEMBER 21, 2019 @ 10:00AM

TAMMY K. COOK, INTERIM CITY CLERK

Notice of Assistance at the Public Meetings

The City of San Marcos does not discriminate on the basis of disability in the admission or access to its services, programs, or activities. Individuals who require auxiliary aids and services for this meeting should contact the City of San Marcos ADA Coordinator at 512-393-8000 (voice) or call Texas Relay Service (TRS) by dialing 7-1-1. Requests can also be faxed to 855-461-6674 or sent by e-mail to ADArequest@sanmarcostx.gov



Legislation Text

File #: ID#19-785, **Version:** 1

AGENDA CAPTION:

Receive a Staff presentation and hold discussion regarding the Hays Central Appraisal District's appraisal process, Tax Ceilings and Exemptions; and provide direction to the City Manager.

Meeting date: December 3, 2019

Department: Finance-Heather Hurlbert, Finance Director

Amount & Source of Funding

Funds Required: Click or tap here to enter text.

Account Number: Click or tap here to enter text.

Funds Available: Click or tap here to enter text.

Account Name: Click or tap here to enter text.

Fiscal Note:

Prior Council Action: Click or tap here to enter text.

City Council Strategic Initiative: [Please select from the dropdown menu below]

Choose an item.

Choose an item.

Choose an item.

Comprehensive Plan Element (s): [Please select the Plan element(s) and Goal # from dropdown menu below]

- ☐ Economic Development - Choose an item.
- ☐ Environment & Resource Protection - Choose an item.
- ☐ Land Use - Choose an item.
- ☐ Neighborhoods & Housing - Choose an item.
- ☐ Parks, Public Spaces & Facilities - Choose an item.
- ☐ Transportation - Choose an item.
- ☐ Not Applicable

Master Plan: *[Please select the corresponding Master Plan from the dropdown menu below (if applicable)]*

Choose an item.

Background Information:

Tax Ceilings and Exemptions have been discussed during the past several budget cycles. In addition, there have been questions about how appraised values are determined by the Hays Central Appraisal District (Hays CAD). Laura Raven, Chief Appraiser will explain the process and methods used by Hays CAD. In addition, detailed information will be provided about tax exemptions and ceilings and the possible effect on the City's revenue

Council Committee, Board/Commission Action:

Click or tap here to enter text.

Alternatives:

Click or tap here to enter text.

Recommendation:

.

HOW PROPERTY IS APPRAISED

Hays Central Appraisal District

21001 I-35

Kyle, TX 78640

512-268-2522

www.hayscad.com

info@hayscad.com

WHO ARE WE AND WHAT DO WE DO?

Texas Property Tax Code Section 6.01

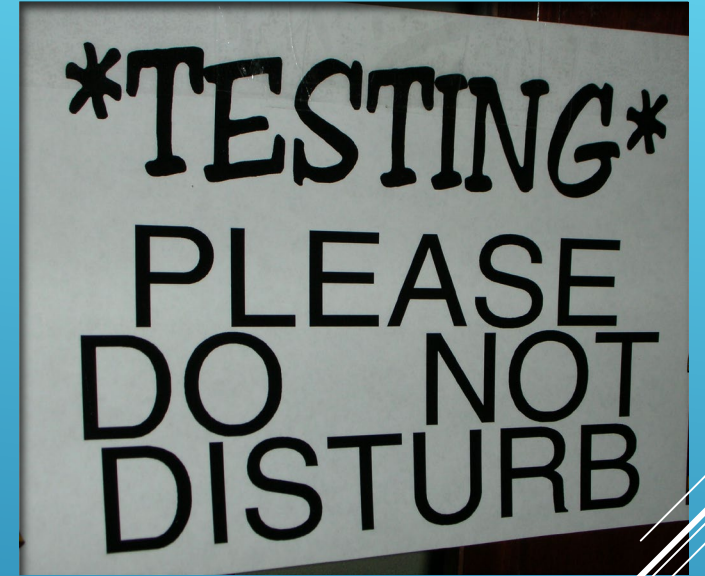
- a) An appraisal district is established in each county.
- b) District is responsible for appraising property in the district for ad valorem tax purposes of each taxing unit that imposes ad valorem taxes on property in the district.
- c) An appraisal district is a political subdivision of the state.

UNDER WHAT REGULATION?

Appraisal districts are governed by the Property Tax Code, Government Code, Tax Law and Rules set forth by the Comptroller of the State of Texas.

Our governance is constantly changing, whether through case law, or every two years through legislative changes to the Tax Code.

- ▶ THE TEXAS COMPTROLLER'S OFFICE
- ▶ PROPERTY VALUE STUDIES, IN EVEN NUMBERED YEARS, TEST VALUES
- ▶ METHOD AND ASSISTANCE PROGRAM REVIEWS, IN ODD NUMBERED YEARS, AUDIT PROCEDURES IN FOUR CATEGORIES
- ▶ SEE RESULTS ON DISTRICT'S WEBSITE



WHO EVALUATES THE APPRAISAL DISTRICT?

APPRAISAL CALENDAR

▶ **JANUARY – MARCH**

- ▶ PICK UP NEW IMPROVEMENTS
- ▶ EXAMINE SALES INFORMATION
- ▶ PROCESS EXEMPTIONS
- ▶ DETERMINE VALUES

▶ **APRIL**

- ▶ SEND ESTIMATES OF VALUE TO TAXING ENTITIES
- ▶ MAIL NOTICES OF APPRAISED VALUE

▶ **MAY – JULY**

- ▶ DELIVER PRELIMINARY ROLL TO THE APPRAISAL REVIEW BOARD (ARB)
- ▶ RECEIVE PROTESTS AND BEGIN ADMINISTRATING HEARINGS
- ▶ DELIVER PRELIMINARY BUDGET TO TAX UNITS BEFORE JUNE 15
- ▶ CERTIFY VALUES TO TAX ASSESSOR BY JULY 25

APPRAISAL CALENDAR

AUGUST

**UPLOAD TAXING JURISDICTION INFORMATION TO TRUTH IN TAXATION (TNT) WEBSITE*

**SEND POSTCARDS TO PROPERTY OWNERS REGARDING TNT WEBSITE*

- ▶ CONTINUE PROTEST HEARINGS
- ▶ BEGIN REAPPRAISAL FOR THE NEXT TAX YEAR
- ▶ RECEIVE LITIGATION AND ARBITRATION INFORMATION

SEPTEMBER – DECEMBER

- ▶ PROTEST HEARINGS
- ▶ FIELD WORK
- ▶ ARBITRATION HEARINGS
- ▶ LITIGATION PROCESSING
- ▶ APPROVE BUDGET BY SEPTEMBER 15TH
- ▶ PROPERTY VALUE STUDIES (EVEN NUMBERED YEARS)
- ▶ PREPARE FOR COMPTROLLER'S METHODS & ASSISTANCE PROGRAM REVIEW (ODD NUMBERED YEARS)

HOW PROPERTY IS APPRAISED

With few exceptions, Tax Code Section 23.01 requires taxable property to be appraised at market value as of Jan. 1.

WHAT IS MARKET VALUE?

Market value is the price at which a property would transfer for in cash or its equivalent under prevailing market conditions if:

- it is exposed for sale in the open market with a reasonable time for the seller to find a purchaser;
- both the seller and the purchaser know of all the uses and purposes to which the property is adapted and for which it is capable of being used and of the enforceable restrictions on its use; and
- both the buyer and seller seek to maximize their gains and neither is in a position to take advantage of the exigencies of the other.

WE START WITH AN INSPECTION



- ▶ After certification (by July 25th) a new appraisal year starts.
- ▶ The appraisal district receives information through the year about new improvements.
- ▶ Appraisers have designated field areas.

INSPECTION STEPS

Typically, an appraiser will validate the:

- size and type of improvements and note any additions,
- construction quality and condition of improvements, and
- site characteristics.



DETERMINE MARKET VALUE

The appraisal district will determine the market value of the property as of January 1 using the three generally accepted methods of appraisal, if applicable:

- Sales comparison/market approach
- Cost approach
- Income approach



MASS APPRAISAL

Because the appraisal district is valuing many properties annually, we utilize a process known as mass appraisal.

Mass appraisal determines values in where market areas, neighborhoods, subdivisions, and large groupings of similar properties are appraised at the same time.



Property that has been granted an Agricultural Valuation will have a market value and a productivity value.

Productivity value is based on gathered cash lease information.

AGRICULTURAL VALUATION

TRADITIONAL AND WILDLIFE USES

WHY DO APPRAISED VALUES CHANGE YEAR TO YEAR?

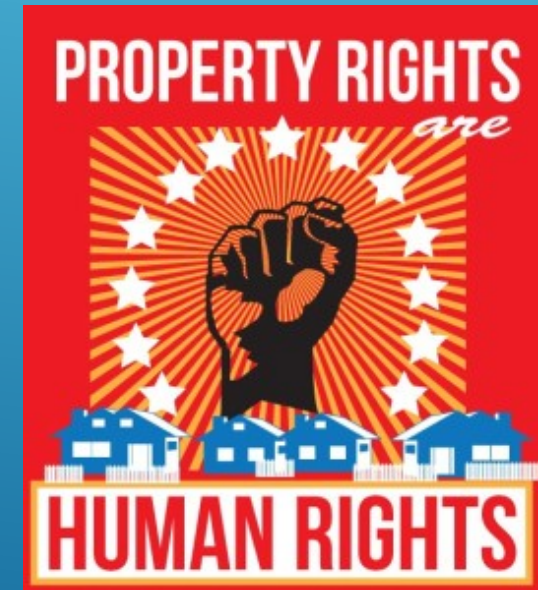



- A property's market value can change because of the economy in general or because of changes a property owner made to the property, making it more valuable.
- A sluggish economy, slow growth, and no demand or few potential buyers in the market may cause a decline in property values. Likewise, a growing economy with rapid growth may cause a rapid increase in property values.

EVERYONE HAS THE RIGHT TO PROTEST

Section 41.41 of the Texas Property Tax Code allows for the right of property owners to protest before the appraisal review board. Listed are the most common reasons for protest:

- Market value
- Unequal Appraisal
- Denial of an Exemption





The Appraisal Review Board (ARB) is a panel of local citizens that listens to evidence presented by both property owners and the appraisal district. The ARB makes determinations regarding issues a property owner may have protested.

ARB members are appointed by the local administrative judge.

APPRAISAL REVIEW BOARD

ADDITIONAL REMEDIES

Not happy with an appraisal review board determination?

Some property owners can file to have binding arbitration.

All property owners can sue in district court.

The property tax code also allows for other changes to be made in specific circumstances.

EXEMPTIONS LOWER TAXABLE VALUE

Homestead

Over Age 65 / Surviving Spouse

Disabled Person

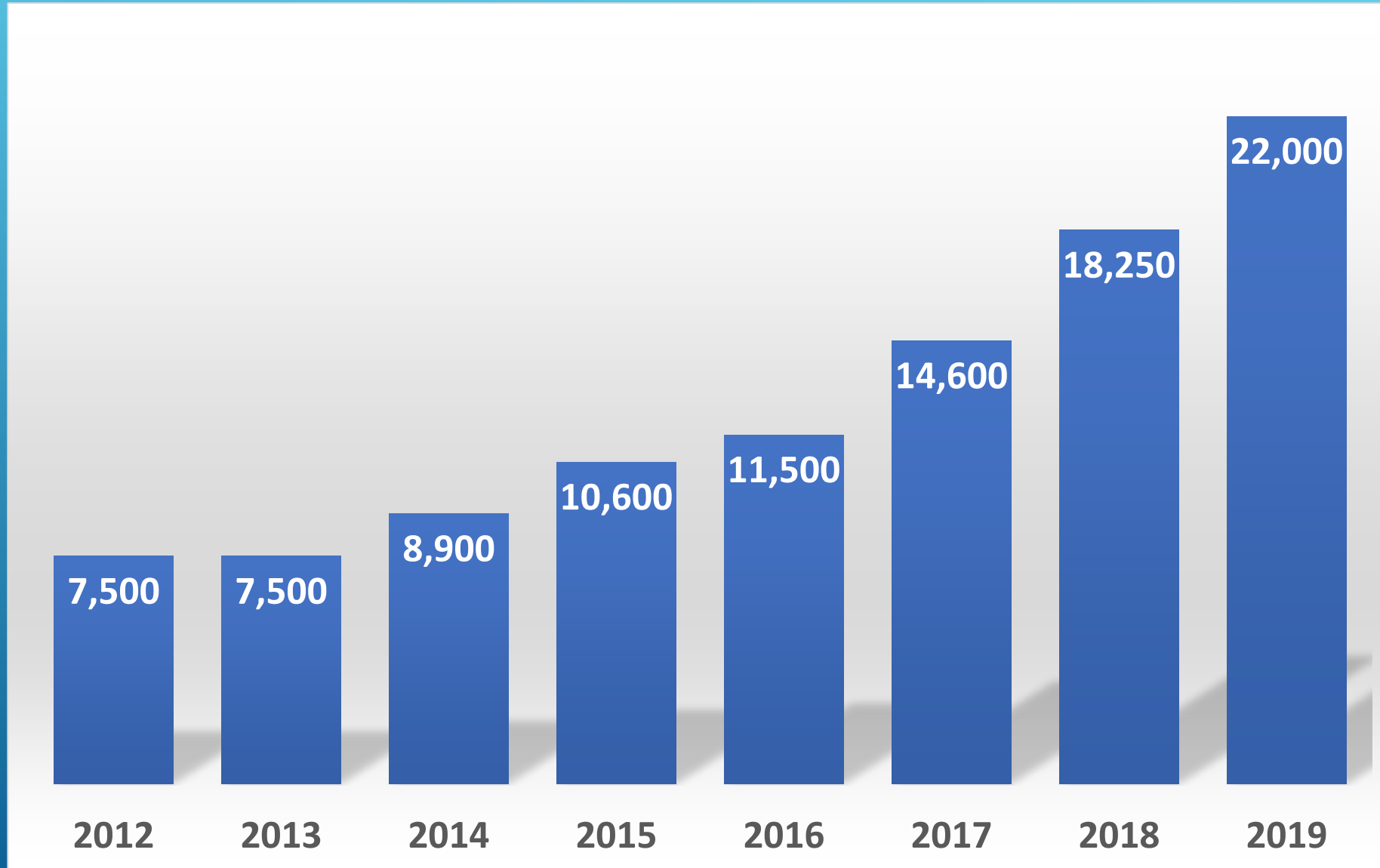
Disabled Veteran

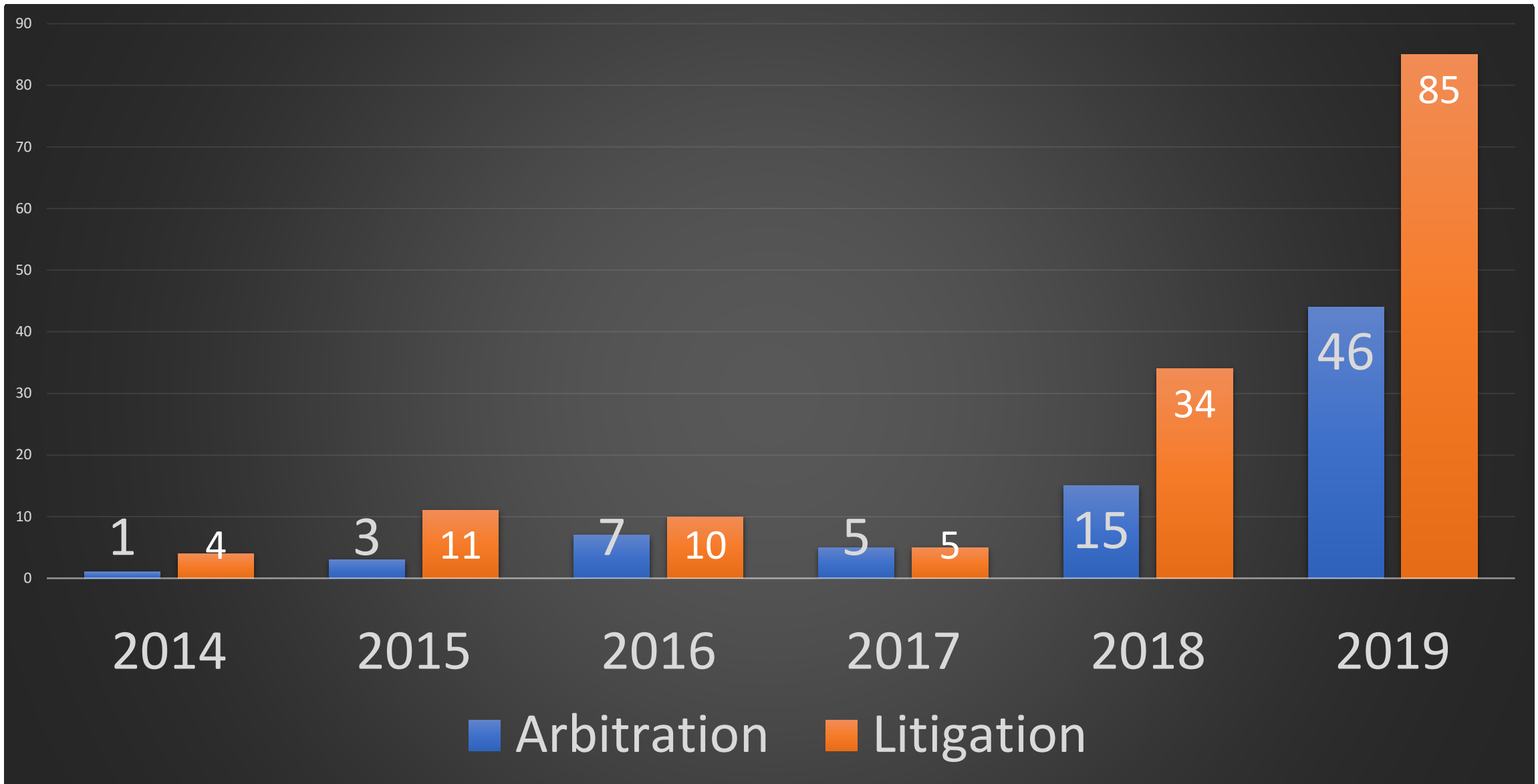
100% Disabled Veteran/Surviving Spouse

Each form gives information on what it takes to qualify for the exemption. If you have questions, send them to info@hayscad.com or call our office at 512-268-2522.

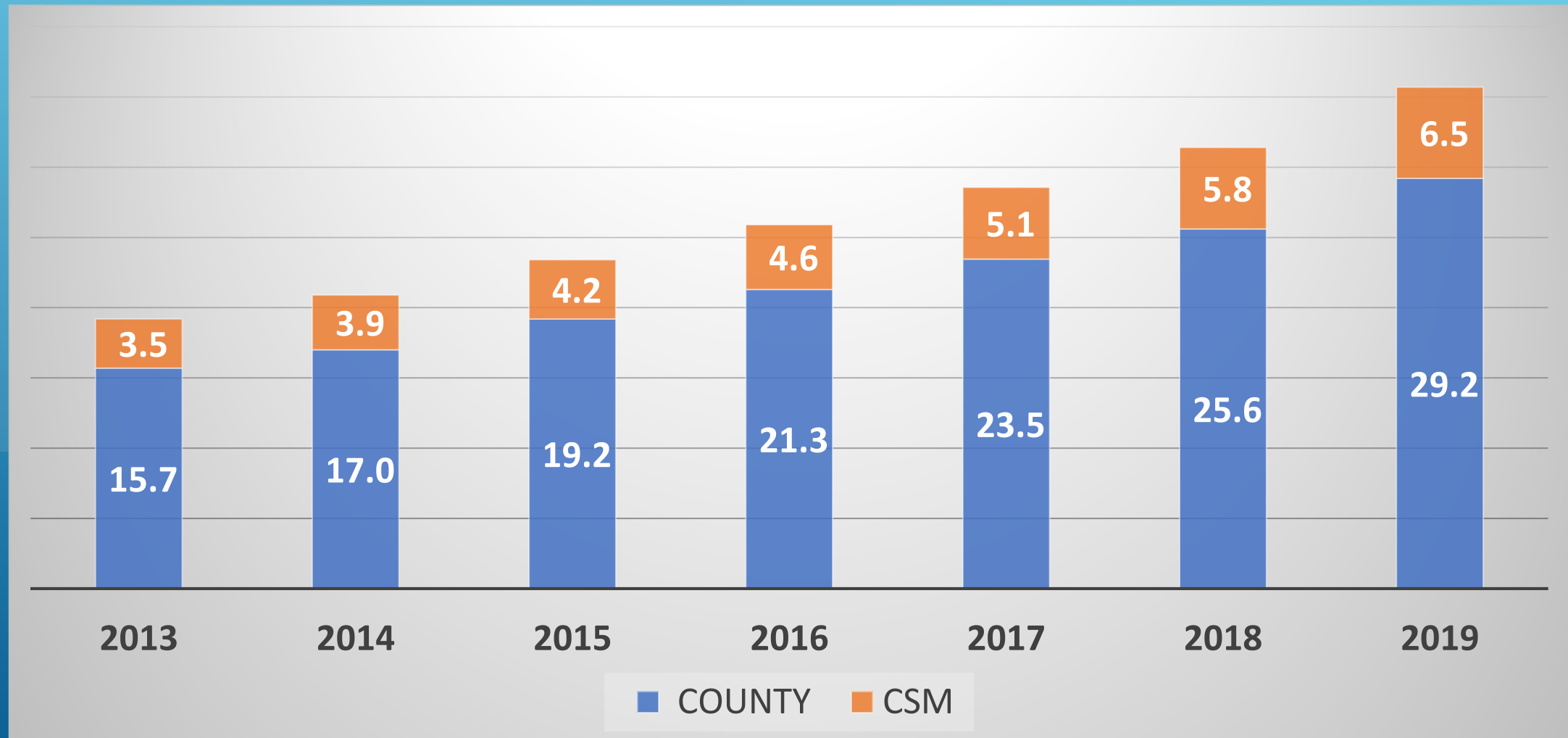
<http://www.hayscad.com/other-forms/>

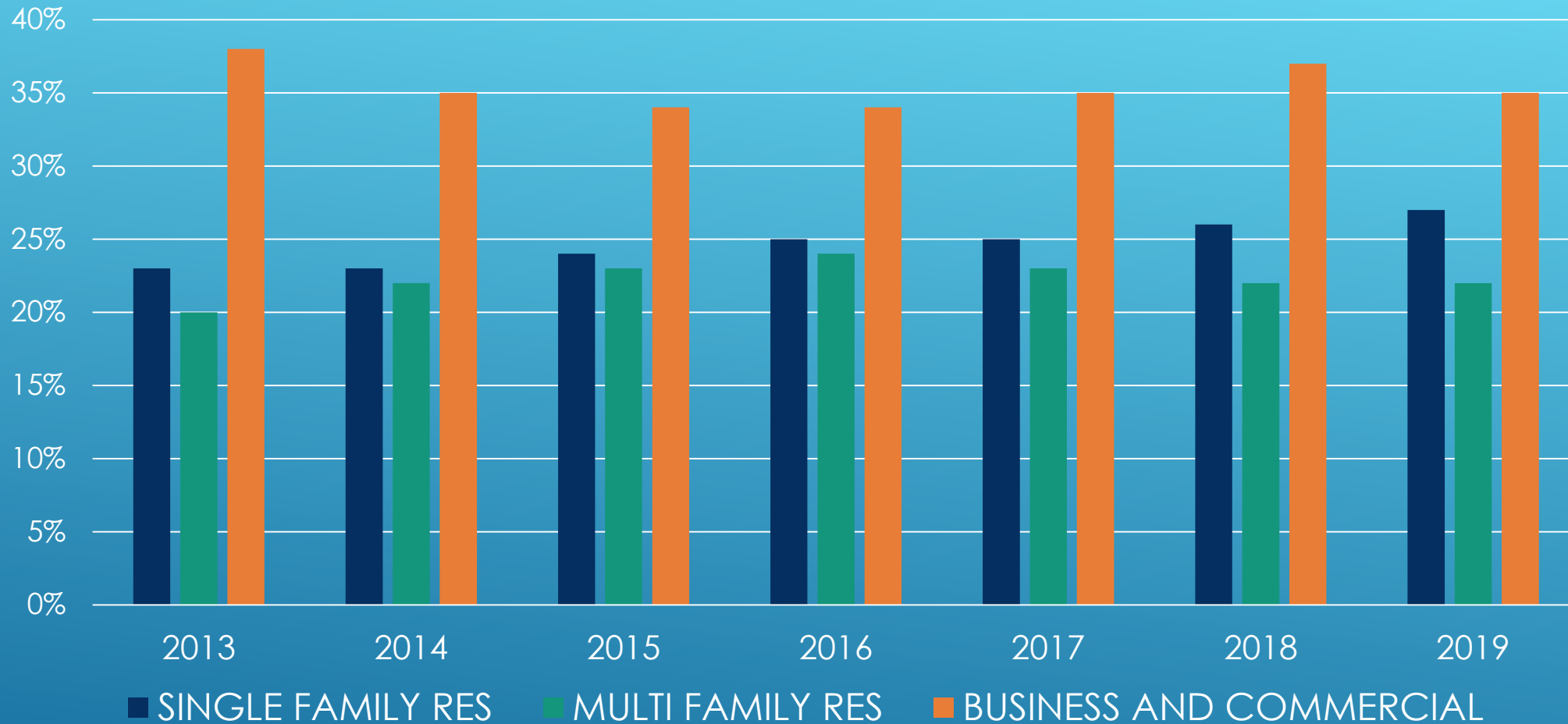
PROPERTY APPEALS THROUGH THE YEARS





MARKET VALUE IN BILLIONS





PERCENT OF TOTAL VALUE BY CATEGORY IN CITY OF SAN MARCOS

HOW TO REACH US

www.hayscad.com

512-268-2522

info@hayscad.com

21001 N I35, KYLE, TX

Exit 215

The screenshot shows the homepage of the Hays Central Appraisal District website. The header features the district's seal and name, along with links for Property Search, Interactive Map, and Online Forms. A green navigation bar contains links for Home, AG/WL INFO, FORMS, ORG., INFO, MAPS, CONTACT US, ONLINE APPEAL, PROTEST INFO, and NEWS. The main content area includes a large welcome banner with a wooden sign graphic and a search bar. To the right, a contact information box lists the phone number (512) 268-2522, fax (512) 713-0563, email info@hayscad.com, address 21001 North IH 35, Kyle, Texas 78640, and office hours Monday-Friday 8:00 a.m. to 5:00 p.m. The Chief Appraiser is identified as Laura Raven.

Hays
Central Appraisal District

Property Search Interactive Map Online Forms

HOME AG/WL INFO FORMS ORG. INFO MAPS CONTACT US ONLINE APPEAL PROTEST INFO NEWS

Search for... Search

Welcome
to your county appraisal district

Contact Information

- (512) 268-2522
- (512) 713-0563
- info@hayscad.com
- 21001 North IH 35
Kyle, Texas 78640
- Monday - Friday
8:00 a.m. - 5:00 p.m.
- Chief Appraiser**
Laura Raven

Welcome to the Hays Central Appraisal District



Tax Ceilings and Exemptions December 3, 2019

City of San Marcos | Finance

Purpose and Agenda

Purpose

- *Gain an understanding of the appraisal process*
- *Discuss tax ceilings and exemptions*
- *Walk through a case study of impact over a 5 year period*
- *Discuss options*



- *Appraisal District process and methods*
- *Tax Ceilings and Exemptions*
- *Case Study*
- *Considerations and Next Steps*

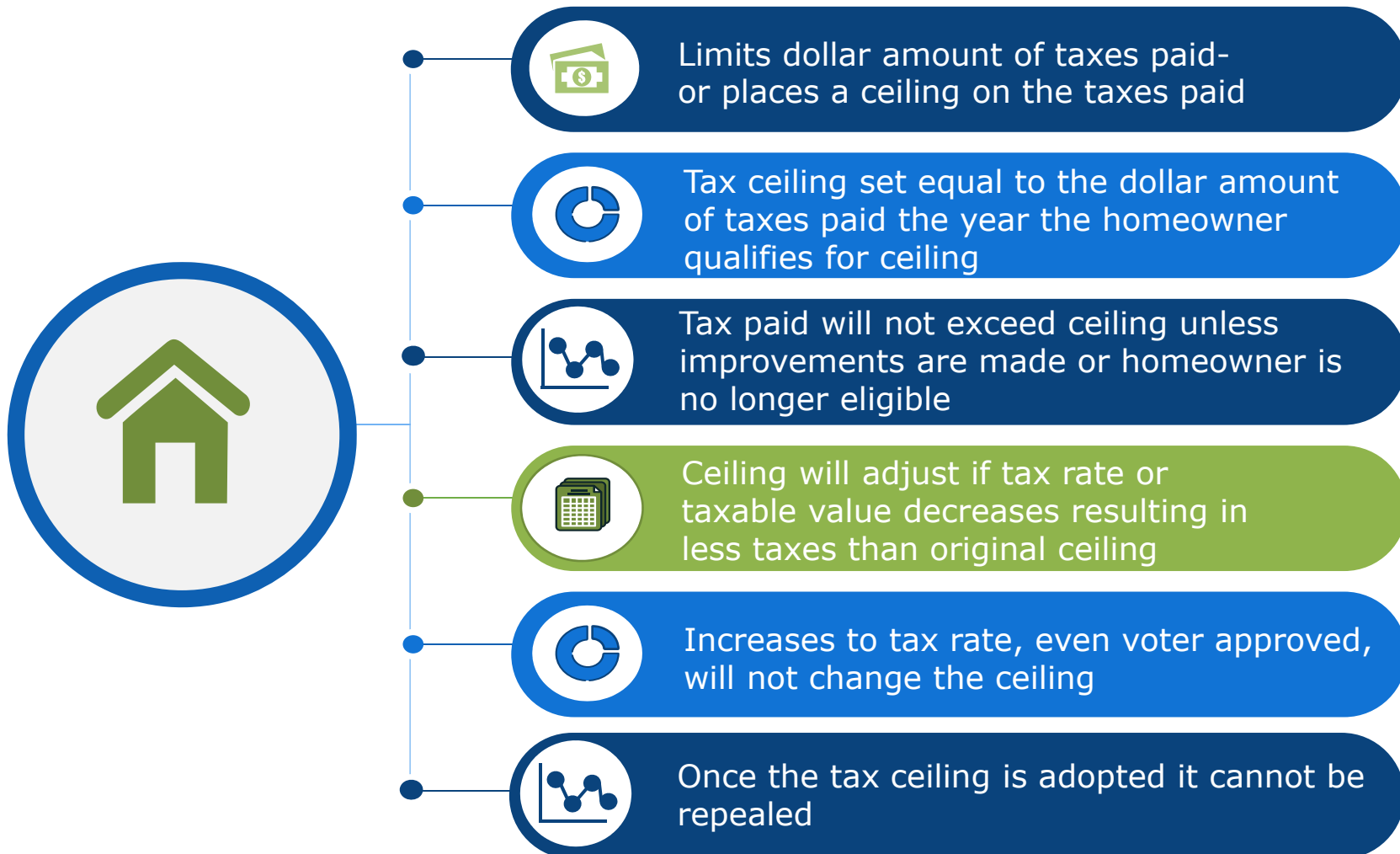
Agenda



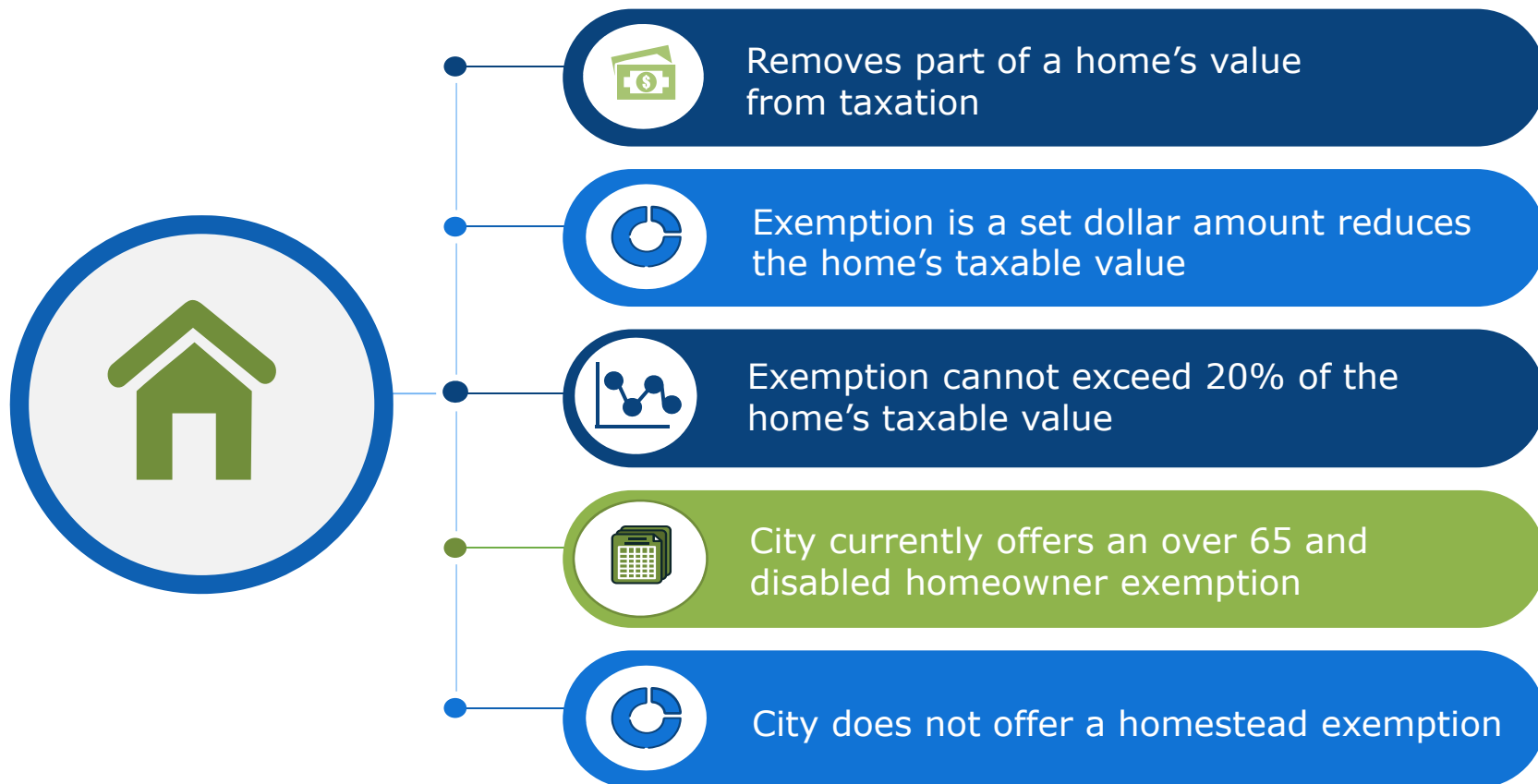
Tax Ceilings & Exemptions



Homestead Tax Ceiling



Tax Exemptions



Current Exemptions



65 or Older

- ✓ \$25,000 Exemption
- ✓ Homeowner eligible when they turn 65 and file an application for the exemption
- ✓ \$257K FY2020 taxes exempted



Disabled Veteran

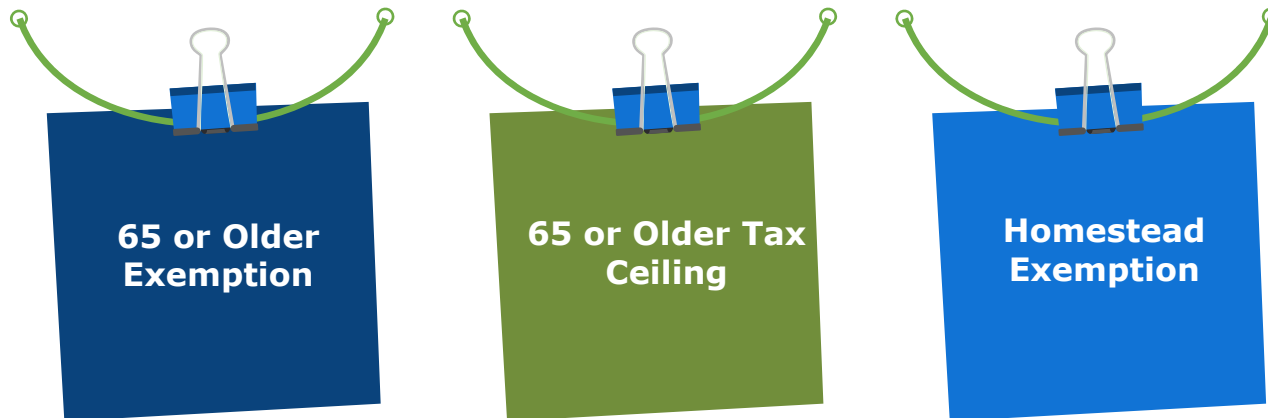
- ✓ \$25,000 Exemption
- ✓ Homeowner must meet the definition from US Dept of Veterans Affairs
- ✓ \$27K FY2020 taxes exempted



100% Disabled

- ✓ 100% of value exempt
- ✓ Homeowner must meet the definition of disabled for disability insurance benefits
- ✓ \$149K FY2020 taxes exempted

Peer City Offerings



\$ 4K-New Braunfels
\$10K-Schertz
\$88K-Austin
\$22K-Round Rock
\$51K-Georgetown
\$15K-Bryan
\$30K-College Station
\$65K-San Antonio
\$10K-Universal City

New Braunfels
Schertz
San Antonio

\$5K/20%-New Braunfels
\$5K-Austin
\$5K-College Station
\$5K/.01%-San Antonio
1%-Universal City

Surveyed New Braunfels, Schertz, San Antonio, Universal City, Austin, Georgetown, Round Rock, Bryan, and College Station

Case Study



Case Study

- ✓ Assumes tax ceiling put in place for tax year 2014
- ✓ Based on actual tax payer data

	Tax Year 2014	Tax Year 2015	Tax Year 2016	Tax Year 2017*	Tax Year 2018
Number of over 65 exemptions	1448	1527	1647	1744	1835
Increase in exemptions		79	120	97	91
Tax generated	\$886,000	\$1,015,000	\$1,223,000	\$1,645,000	\$1,899,000
Estimated tax generated with ceiling in place	\$886,000	\$948,000	\$1,077,000	\$1,216,000	\$1,387,000
Tax forfeited due to ceiling	\$0	\$67,000	\$147,000	\$429,000	\$513,000
Average reduction per homeowner from 2014	\$0	\$44	\$89	\$246	\$279
Savings between years	\$0	\$44	\$45	\$157	\$33

* Voter approved tax rate increase from .5302/\$100 to .6139/\$100

Case Study Conclusions



Average Value Growth

- Average home value increased 7% per year.



Average Tax Paid

- Average value growth increased taxes an average of \$53 annually



2017 Voter Approved Increase

- An additional 1 cent increase would have been needed to produce the same amount of revenue if had ceiling in place **



2019 Budget Effect

- Budget would have been reduced by \$513,00 if ceiling was in place

**Per the case study, 2017 tax revenue would have been reduced by \$429,000 so the tax rate increase to support the GO bond debt and operational expense would need to be an extra 1 cent (one cent produces approximately \$500,000 in tax revenue) to produce the same amount of revenue.

Considerations and Next Steps



Considerations



3.5% Revenue cap effective for FY2021. If cap was in place in FY20, Rollback rate equals 59.45 and GF revenue would be reduced by \$1.1M



Faced challenges in prior fiscal years meeting and expanding core services



Continue to face challenges funding infrastructure, facility and neighborhood CIP projects



Kissing Tree expected to add \$100M annually in new home values. Many of these residents are over 65 and ceiling placed on the taxes paid.

Options for Consideration



Increase Over 65 Exemption

- ❖ An additional \$5K exemption would save the homeowner \$30.70 annually.
- ❖ Based on tax year 2018 exemptions, this would be a reduction in GF revenue of \$55-60K .
- ❖ Could be implemented over several years.



Implement Homestead Exemption

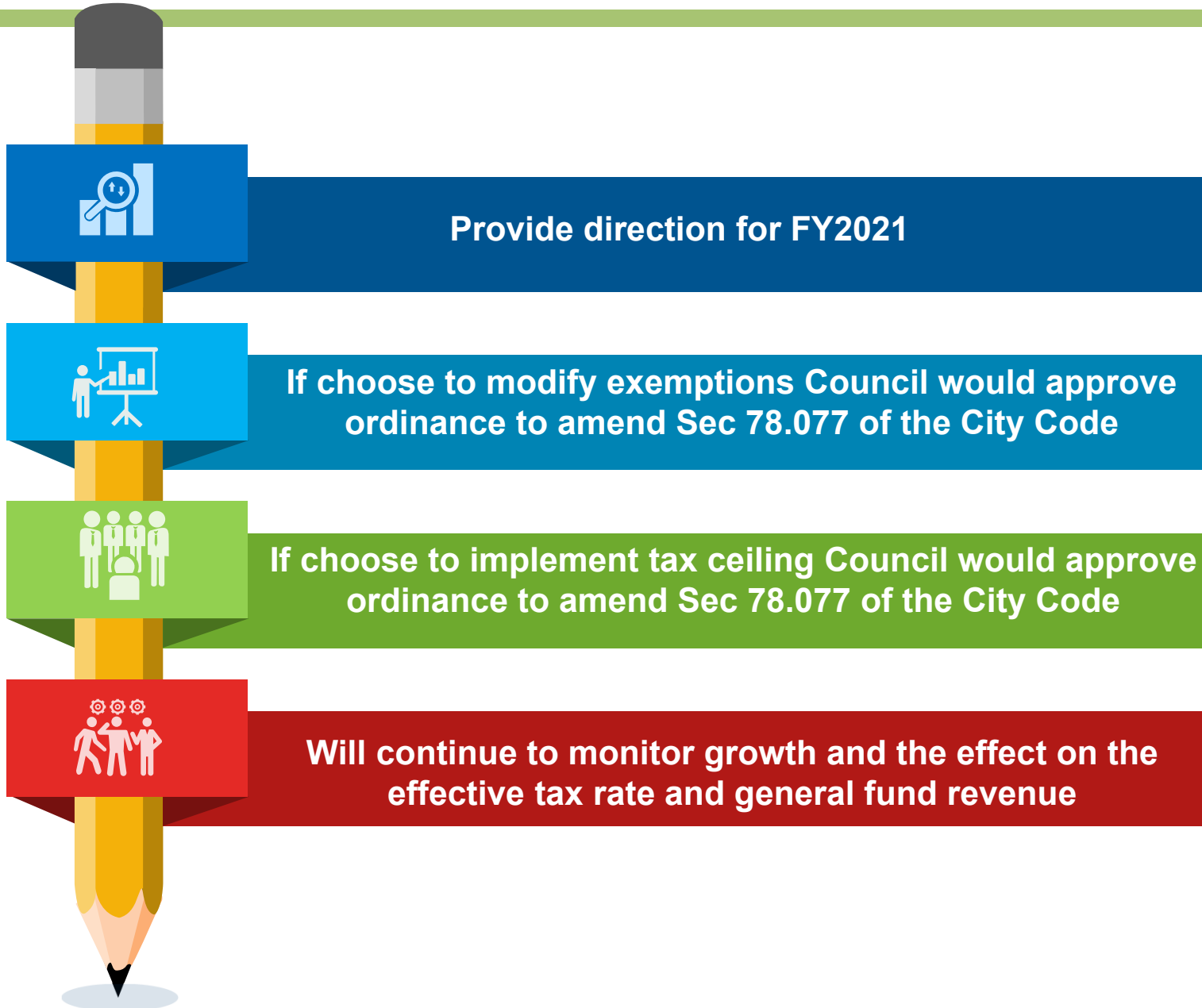
- ❖ Based on tax year 2018 exemptions, this would be a reduction in GF revenue of \$140-145K.
- ❖ Could be implemented over several years.



Maintain Current Exemptions

- ❖ Maintain exemptions at current levels until the effect of revenue caps is more evident.
- ❖ Can re-evaluate annually

Next Steps



Questions?



Thank You



Bert Lumbreras
City Manager



Stephanie Reyes
Interim Assistant City Manager



Heather Hurlbert
Director of Finance



Legislation Text

File #: ID#19-783, **Version:** 1

AGENDA CAPTION:

Executive Session in accordance with the following Government Code Section(s):

- A. Section § 551.071 - Consultation with Attorney: to receive a staff briefing and deliberate regarding Hays County Municipal Utility District No. 8.
- B. Section § 551.087 - Economic Development: to receive a staff briefing and deliberate regarding Project Molly

Meeting date: 12/3/2019

Department: City Clerk's Office on behalf of the City Council

Amount & Source of Funding

Funds Required: [Click or tap here to enter text.](#)

Account Number: [Click or tap here to enter text.](#)

Funds Available: [Click or tap here to enter text.](#)

Account Name: [Click or tap here to enter text.](#)

Fiscal Note:

Prior Council Action: [Click or tap here to enter text.](#)

City Council Goal: [Please select goal from dropdown menu below]

[Choose an item.](#)

[Choose an item.](#)

[Choose an item.](#)

Comprehensive Plan Element (s): [Please select the Plan element(s) and Goal # from dropdown menu below]

☐ Economic Development - [Choose an item.](#)

☐ Environment & Resource Protection - [Choose an item.](#)

☐ Land Use - [Choose an item.](#)

☐ Neighborhoods & Housing - [Choose an item.](#)

☐ Parks, Public Spaces & Facilities - [Choose an item.](#)

- ☐ Transportation - Choose an item.
- ☐ Not Applicable

Master Plan: *[Please select the corresponding Master Plan from the dropdown menu below (if applicable)]*

Choose an item.

Background Information:

Click or tap here to enter text.

Council Committee, Board/Commission Action:

Click or tap here to enter text.

Alternatives:

Click or tap here to enter text.

Recommendation:

Click or tap here to enter text.